Conflict Between the Board and the CEO

What Happens When Relationships Break Down?

The relationship between a charity’s board of trustees and the CEO is a fairly unique one.

Each has their own respective role to play, but it is the overall team effort that keeps the charity on track and ideally takes it from strength to strength, so that it can make that all important difference to its beneficiaries and society.

The board’s responsibilities include; setting the overall strategy, fulfilling its legal responsibilities, maintaining high standards of governance and holding the CEO and management to account. Their role is to offer support, as well as challenge to the CEO. The CEO’s responsibility is to manage the day to day activities of the organisation and its staff, to deliver the strategy and the best possible outcomes. What both parties should have in common is an emotional investment to the cause – all working to the same goals and doing what they do because they care deeply about the work of the organisation. That seems fairly obvious doesn’t it? So, what are the ingredients that make for a happy partnership and why do things sometimes go wrong?

What are the Main Ingredients to a Successful Relationship?

Mutual Respect

It is vital that both parties have mutual respect for each other and that they understand each other’s skill sets, roles and responsibilities. Many CEO’s can be paralysed by a board or board members who gets overly involved in the detail of day to day operations and loses sight of the big picture. This starts with the recruitment process on both sides – making sure that both the CEO and the trustees have the appropriate skill sets and relevant knowledge to carry out these respective roles. However, respect also needs to be earned and maintained and this is something that needs to be worked at. Building levels of trust and understanding outside of board meetings can be a good way to achieve this.

The Right Sort of Challenge

As we have already said, the role of the board is not to “rubber stamp” but to provide effective challenge, and to be effective this must be healthy and constructive and not unnecessarily aggressive. This sort of challenge need not result in conflict. CEO’s should ensure that sufficient, relevant information is provided to the board in advance of meetings and board members should ensure that they have read it before the meeting.

The meeting can then be used for “healthy debate”, acknowledging that opinions may differ and there is more than one route to a destination, but remembering always that the common goal is!

The Role of the Chair

The Chair can play a vital role in setting the tone and culture of meetings and leading by example. Maintaining regular contact between meetings and keeping appraised of any potential areas of conflict can help to diffuse a potentially difficult situation. The Chair ideally needs to have sufficient emotional intelligence to be able to work with a range of personalities and to know when a difficult conversation needs to be had or a difficult decision made.

It is inevitable and generally desirable that “good” conflict will arise from time to time, but with the right approach and a willingness to cooperate, differences can be resolved, and the challenges that have been overcome will often result in the charity going from strength to strength.

As one Chair has recently commented: “We are not perfect, but we all have a strong will to do the right thing.”
What can Cause the Relationship to Deteriorate?

On the other hand, conflict can be a negative, not a positive influence in the relationship between the board and the CEO, leading to irreconcilable differences. Conflicting personalities, conflicting motives, or both may lead to:

- Lack of understanding of respective roles;
- Inappropriate skills or knowledge to carry out roles;
- Lack of mutual respect;
- Pursuit of personal goals to the detriment of the corporate goal;
- Dominant personalities on either or both sides;
- Influence of internal politics;
- Poor or miscommunication.

The processes discussed previously can help to avoid or manage these situations. In addition, formal appraisals for both the CEO and the board are a useful mechanism to monitor performance, set objectives and identify any areas of performance which require extra support. They are one means of finding whether both parties are "on task", and for teasing out any potential conflicts before they escalate into a major issue. A survey carried out by the ACEVO Governance Commission found that 65% of respondents carried out a formal annual appraisal of the CEO, but less than half had ever carried out any form of appraisal for board members.

What can Happen When the Relationship Goes Wrong?

The following case study illustrates what can happen when some of the issues highlighted above are not dealt with appropriately, at the right time.

The charity in question had a very dominant CEO, a weak board and a Chair who admittedly tried to deal with the situation, but was unable to manage either the CEO or his fellow trustees. The CEO was a longstanding employee with considerable influence and well remunerated. The trustees were not used to challenging him and were probably frightened to do so. When the charity hit hard times, not only did the CEO refuse to accept a salary reduction, he tried to introduce a final salary pension scheme for the Senior Management Team. Whilst some attempts were made to cut costs elsewhere, the hefty (some would say excessive) staff costs were not only a drain on resources, but deterred potential funders. Despite the best efforts of the Chair to agree a restructuring of the staff cost base, the CEO refused to back down and the Chair could not gain the support of his fellow trustees, who were unwilling to tackle the conflict. Understandably, the Chair resigned. One or two Chairs came and went for various reasons, but fundamentally they had inherited a situation which needed to be dealt with by someone who was able to stand up to the CEO, who was clearly only putting his own, not the charity’s, interests first.

Eventually, a new Chair was appointed who was able to address the issue and the CEO was eventually replaced, but not before a battle had been fought from an employment law perspective. Under its new leadership, both at board and management level, the charity has gone from strength to strength. The trustees and the CEO now work together with a common purpose and the relationship is allowing the organisation to blossom.

What to do if Things do go Wrong

If there is a sense that the conflict between your board and the CEO is moving from the positive end of the scale to the negative, then the most important thing is to try to remedy the situation as soon as possible. The repercussions of allowing things to escalate may result in serious financial or reputational consequences, poor staff morale and the decline of the charity. A simple misunderstanding between parties can sometimes be easily put right by using an internal or external third party as a sounding board. In more difficult situations, independent mediation may help to avoid settlement agreements with CEO’s which can be expensive and not necessarily in the best interests of the charity. However, as illustrated above, it may be necessary to take one step back to take two steps forward.

Where to Find More Information

The recently updated Charity Governance Code (www.charitygovernancecode.org/en/pdf) places considerable emphasis on the role and behaviours of the board and the Chair and their interaction with management. There is also a useful diagnostic tool to help charities assess how their current standards of governance compare with the Code. Whether or not you recognise your own organisation in some of the examples described above, we would recommend making use of this material. It may help you to turn bad conflict into good conflict, or to maximise the outcomes from good conflict between your board and CEO!

How we can Help

If you would like to speak to a member of our team about how we can help, then please get in touch with your local MHA member firm.